

Real estate and fiscal legislation

In most countries there is a promissory contract involved in the purchase of a property. It is required by law in Belgium, France, India, Ireland and Switzerland, and is optional in most countries. Germany and Norway do not use promissory contracts.

In all of the countries surveyed, except Norway, the borrower usually pays a deposit on signing the promissory contract, although it is optional. The amount of this deposit varies. In Luxembourg it is as low as 2%, in a number of countries including The Netherlands, Switzerland and Italy, it is 10%, while in other countries it varies quite considerably, for example, from 10% to 25% in Ireland. The deposit can be highest in Israel where it can be for up to 50%.

Generally, the promissory contract must be signed by a notary, though there are exceptions (Australia, Norway and the USA).

Many countries have restrictions on the purchase of real estate by foreigners. Purchase is forbidden in Norway, except for residence purposes. There are restrictions to purchase in Belgium, France, Germany, Ireland, Luxembourg, The Netherlands, Singapore and the USA.

A number of countries also place restrictions on citizens wishing to purchase abroad. Greece, for example, does not allow any currency transfer for this type of transaction. Authorisation to purchase properties abroad is required in a number of countries including Finland, France, Ireland, Israel and Norway.

Fees and taxes paid in owner-occupied markets

The transfer of houses is normally

THE International Real Estate Federation (FIABCI) published a special report in December 1988 on real estate and fiscal legislation and practice. This article briefly summarises those parts of the report of particular relevance to housing finance.

expensive for both buyer and seller, but there are huge variations between countries. Table 1 shows expenses and taxes paid by the vendor for a \$100,000 house as a percentage of the total purchase price.

It should be noted that the figures are as reported by real estate practitioners, and there is no guarantee that similar definitions have been used. Nevertheless, the figures are probably indicative of the differences between countries.

Agents' fees are, in most countries, the most important expense

which has to be borne by the vendor. They vary from 1.1% in Greece, to 2% in the UK and Australia and to over 4% in a number of countries including Belgium, Canada, Finland, France, Italy and Mexico. High legal or notary fees have to be paid in Indonesia and Ireland.

Table 2 shows fees and taxes payable by the buyer for a \$100,000 house. The variations here are even more marked than in the case of vendors, largely because of government taxes or registration fees. Costs are particularly low in the United Kingdom, the USA, India and Australia.

They are exceptionally high in Belgium at 20% of the purchase price, largely because of 12.5% registrar's fees and 4% notary/legal fees. Other countries with high purchase costs include Italy, France, Greece and Mexico.

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Table 1 Expenses and Taxes Paid by the Vendor, \$100,000 House %

Country	Agent's Fees	Legal/Notary Fees	Other	Total
Australia	2.0	0.4	0.2	2.6
Belgium	4.0			4.0
Canada	5.5			5.5
West Germany	3.0			3.0
Finland	4.0			4.0
France	5.0			5.0
Greece	1.1			1.1
Indonesia	2.5	2.5		5.0
Ireland	3.8	2.5		6.3
Italy	5.0			5.0
Luxembourg	3.0			3.0
Mexico	5.0			5.0
Netherlands	2.2			2.2
Pakistan	2.0			2.0
Switzerland	2.0	0.1	1.9	4.0
USA	3.8	0.2	0.1	4.1
UK	2.0			2.0

Note: UK figures added by International Union.

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Rental transactions

There are huge variations in the lengths of residential leases. In some countries the period of a lease is entirely negotiable, for example, Denmark and Australia. One-year renewable leases are common in the USA and Spain. A typical lease period in Germany is between five and 10 years, while Belgium has periods of three, six and nine years.

The length of the lease is regulated by law in Belgium, France, Greece, Italy, Mexico and The Netherlands. Rents are regulated by law in Austria, Finland, Greece, Italy, Luxembourg, Mexico and The Netherlands.

In most countries deposits are paid by the tenant when signing the lease. This is required by law in Belgium, Canada, France and Spain. The amount of the deposit typically varies from one to six months' rent. Spain and Canada are among countries where one month's rent is typical. In Norway the deposit is particularly high, between three and six months' rent.

In a number of countries a tenant has to pay a registration duty on the

Table 3 Urban Homes, Sales Prices and Rents

Country/Town	Sales price square metre \$	Rent per year square metre \$	Sales price/ rent
Andorra/Andorra	975		
Australia/Sydney	1,606	70	23
Belgium/Brussels	1,406	90	16
Brazil/San Paulo	255	35	7
Colombia/Bogota	270		
Denmark/Copenhagen			
Germany/Hamburg	2,681		
Spain/Madrid	2,438	102	24
Finland/Helsinki			
France/Paris	5,115	170	30
Greece/Athens	431	29	15
Indonesia/Jakarta	162	35	5
Ireland/Dublin	791	58	14
Israel/Tel Aviv	2,000		
Italy/Milan		58	
Luxembourg/Luxembourg	1,918		
Netherlands/Amsterdam	475		
Norway/Oslo	1,145	87	13
Austria/Vienna	1,261	107	12
Pakistan/Karachi	300	28	11
Switzerland/Basle	3,791	126	30
Sweden/Stockholm	2,348	78	30
USA/New York	3,000		

rent. In Austria this is 3% of the annual rent, and in France 2.5% of the monthly rent.

Real estate agent's fees for rentals are typically in the 5%-10% range. In

Switzerland, for example, 5% of the annual rent is typical, and in Spain and the USA 6% is common. The figure is high in Belgium at 10%, and even higher in Italy at 15%.

Table 2 Fees and Taxes Payable by the Buyer, \$100,000 House %

Country	Agent's Fees	Notary/ Legal Fees	Stamp Duty/ Transfer Tax	Registrar's Fees	Other	Total
Australia		0.7	1.9		0.3	2.9
Belgium	4.0	4.0		12.5		20.5
West Germany	3.0	1.0	2.0			6.0
Spain	5.0	0.6		0.3		5.9
Finland	5.0				1.6	6.6
France	5.0	2.2		5.4	0.6	13.2
Greece	1.1	1.0			13.3	15.4
India	2.0					2.0
Indonesia	2.5	2.5				5.0
Ireland	1.9	1.0				2.9
Italy	2.0	3.0		8.0	2.0	15.0
Luxembourg		0.9		6.0	1.9	7.9
Mexico		2.7		0.1	10.2	13.0
Netherlands	2.3	1.1		6.0		9.4
Norway		1.8		2.5		4.3
Austria	3.0	1.0	3.5	1.0		8.5
Pakistan	2.0		8.0	0.1		10.1
Switzerland	1.9	0.3	2.7			4.9
USA					3.0	3.0
UK		0.7	1.0			1.7

Note: UK figures added by International Union.

Residential property market

The survey includes basic data on the real estate market in 1988. Table 3 shows the sales price per square metre and rents per square metre for urban homes, and also the relationship between sales prices and rents.

The most expensive city in the survey, by quite a long way, is Paris with a price of \$5,115 per square metre. This is followed by Basle, Switzerland (\$3,791), New York, USA (\$3,000), Hamburg, Germany (\$2,681), Madrid, Spain (\$2,438) and Stockholm, Sweden (\$2,348).

It is, perhaps, significant that the variations in sales prices were much greater than the variations in rents. In countries with high sales prices the ratio of sales price to rent was also high — averaging 30 in the European cities where prices were highest. In other European cities a ratio of 12-15 was more common. ■